

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION

IN RE:

INTERNATIONAL HERITAGE, INC.)	CASE NO. 98-02675-5-ATS CHAPTER 7
INTERNATIONAL HERITAGE INCORPORATED, Debtors)	CASE NO. 98-02674-5-ATS CHAPTER 7

AFFIDAVIT

Robert H. Frazer, being duly sworn, deposes and says that:

1. I am Vice-President of and General Counsel to ACSTAR Insurance Company ("ACSTAR") and as such am authorized by law to make this Affidavit.

2. I have read the matters stated below, and the matters stated below are true of my own knowledge except those matters stated upon information and belief, and, as to those, I believe them to be true.

3. I am familiar with the books and records of ACSTAR as they relate to the matters described below.

4. Subsequent to an Order dated July 1, 1998 from the United States District Court for the Northern District of Georgia, Atlanta Division, Three Million Five Hundred Thousand and No/100 Dollars (\$3,500,000.00) was transferred to ACSTAR from the Clerk of Court for the United States District Court for the Northern District of Georgia, Atlanta Division as collateral for a surety bond issued by ACSTAR on behalf of International Heritage, Inc. and International Heritage Incorporated, a Nevada Corporation (collectively "IHI"). The Three Million Five Hundred Thousand and No/100 Dollars (\$3,500,000.00) will be referred to herein as the "INVESTED FUNDS."

5. The INVESTED FUNDS were invested as follows:

<u>Purchase Date</u>	<u>Purchased Investment</u>	<u>Cost</u>	<u>Percentage Yield to Maturity</u>	<u>Maturity Date</u>
7/31/98	Winnebago	\$119,248.00	4.000%	02/02/02
7/15/98	Putnam	\$325,605.00	4.000%	04/01/02
7/10/98	Maricopa Co.	\$335,499.00	4.000%	07/01/02
7/28/98	Parkland	\$1,104,730.00	3.850%	09/01/01
7/30/98	State Pub. Sch.	\$275,451.00	4.000%	04/01/02
7/15/98	Wissahickon	\$500,450.00	4.050%	05/15/01
7/14/98	Fort Worth	\$548,060.00	3.750%	04/01/00
7/29/98	Missouri Assoc.	\$290,957.00	4.001%	04/01/02
		\$3,500,000.00	3.900%	

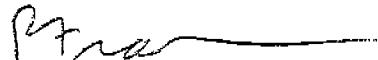
A true and perfect photocopy of the purchase Confirmation statements received by ACSTAR from Salomon Smith Barney which correspond to the INVESTED FUNDS is attached hereto and incorporated herein by reference as "Exhibit A."

6. On information and belief, ACSTAR has liquidated Putnam and Maricopa bonds on October 21, 1999 to pay \$600,000 settlement, attorney fees and costs, will liquidate State Pub Sch. and Wissahickon bonds in 90 days to pay \$750,000 settlement, attorney fees and costs, will liquidate in 180 days Fort Worth and Missouri Assoc. bonds to pay \$750,000 settlement, attorney fees and costs and will in 270 days liquidated Winnebago and Parkland bonds to pay portion of \$2,000,000 settlement.

7. ACSTAR agrees it will not assert investment expenses as an offset to the income earned on the invested funds.

8. Affiant says nothing further.

This the 27 day of Oct, 1999.



Robert H. Frazer

Sworn to and subscribed before me,

this 21st day of October, 1999.



Natalie P. Simpol
Notary Public

My Commission Expires:

NATALIE P. SIMPOL
NOTARY PUBLIC
990138-0001-0001
MY COMMISSION EXPIRES SEP. 30, 2003

Purchase

<u>Date</u>	<u>Investment</u>	<u>Cost</u>	<u>% Yield</u>
7/31/98	Winnebago	119,248	4.000%
7/15/98	Putnam	325,605	4.000%
7/10/98	Maricopa Co.	335,499	4.000%
7/28/98	Parkland	1,104,730	3.850%
7/30/98	State Pub. Sch.	275,451	4.000%
7/15/98	Wissahickon	500,450	4.050%
7/14/98	Fort Worth	548,060	3.750%
7/29/98	Missouri Assoc.	290,957	4.001%
		<hr/> 3,500,000	3.900%

"EXHIBIT A"

Account Number: 577-07179-1-5-028
Financial Consultant: VINCENT CRUDO, PATRICK DUFF
15
203-772-3970

Page 1 of 1

ACSTAR INSURANCE CO #1,389

ATTN: HENRY NOZKO JR.
PO BOX 2350
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/31/98
Total Purchases	\$ 1,181,587.00
Net Amount	\$ 1,181,587.00 Debit

u Bought 1,100,000 at a price of 104.692

NNEBAGO & BOONE CNTYS ILL
H DIST NO 205 SER-C UT FGIC

G DD12/15/92

M 4.000

4500% FA-01 DUE 02/01/2002 ✓

E CORP/MUNI BONDS NOTE BELOW

Gross Amount	\$ 1,151,612.00
Accrued Bond Int.	29,975.00
Amount	\$ 1,181,587.00
Settlement Date	07/31/98

Date: 07/29/98 CUSIP#: 974535-FK-7
Market: Over-The-Counter Security#: 3168019

Solicited Order
Cash Acct.
Ref #: 37630

TRANSFER & MAIL

acted as your agent in this transaction.

Bond/Muni Bonds

Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices fluctuate reflecting market interest rates and the issuer's credit status.

New Investment
Set up file

Added
investment list
SCHD

Salomon Smith Barney, is a service mark of Smith Barney Inc.

Smith Barney Inc. and Salomon Brothers Inc are affiliated but separately registered broker/dealers under common control of Salomon Smith Barney Holdings Inc. Salomon Brothers Inc and Salomon Smith Barney Holdings Inc. have been licensed to use the Salomon Smith Barney service mark.

Reminder, payment for securities purchased or delivery of securities sold must be deposited with us by the Settlement Date.

reverse for further details. Keep this document for your records. Thank you for doing business with us.

Page 1 of 1

ACSTAR INSURANCE CO #1,363
 ATTN: HENRY NOZKO JR.
 PO BOX 2350
 NEW BRITAIN CT 06050-2350

Summary For Settlement Date		07/15/98
Total Purchases	\$ 331,238.33	
Net Amount	\$ 331,238.33	Debit

~~u Bought 300,000 at a price of 108.535~~

ITNAM CO-TENN G/O MBIA+REG-
 DTD 12/1/93 F/C 4/1/94

M 4.000
 5000% AO-01 DUE 04/01/2002
 E CORP/MUNI BONDS NOTE BELOW

Date: 07/10/98 CUSIP#: 746673-PR-7
 Market: Over-The-Counter Security#: 3757536

7/17/98
Revised
new investment
2/24/98

Gross Amount	\$ 325,605.00
Accrued Bond Int.	5,633.33
Amount	\$ 331,238.33
Settlement Date	07/15/98

Solicited Order
 Cash Acct.
 Ref #: 38163 TRANSFER & MAIL

I acted as principal in this transaction.

Corp/Muni Bonds

Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices fluctuate reflecting market interest rates and the issuer's credit status.

*Added list
 in next
 Sched*

Salomon Smith Barney, is a service mark of Smith Barney Inc.

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Reminder, payment for securities purchased or delivery of securities sold must be deposited with us by the Settlement Date

reverse for further details. Keep this document for your records. Thank you for doing business with us.

SMITH BARNEY INC.
LONG WHARF MARITIME
545 LONG WHARF DR
NEW HAVEN, CT 06511

Accou. Number:
Financial Consultant:

577-07179-1-5-028
VINCENT CRUDO, PATRICK DUFF
203-772-3970

Page 1 of 1

ACSTAR INSURANCE CO #1,943

ATTN: HENRY NOZKO JR.
PO BOX 2350
NEW BRITAIN CT 06050-2350

Summary For Settlement Date		07/10/98
Total Purchases	\$ 336,042.75	
Net Amount	\$ 336,042.75 Debit	

Bought 300,000 at a price of 111.833

(COPACO AZ SCH DIST NO 014)
IGHTON REF FGIC UNLTD TAX
DTD 12/1/91
4,000
00% JJ-01 DUE 07/01/2002
CORP/MUNI-BONDS NOTE BELOW

Date: 07/07/98 CUSIP#: 567099-CL-8
Set: Over-The-Counter Security#: 3524783

*Notable 7/1/98
Issue Date
24 month*

Solicited Order
Cash Acct.
Ref #: 31565

Gross Amount	\$ 335,499.00
Accrued Bond Int.	543.75
Amount	\$ 336,042.75
Settlement Date	07/10/98

HOLD SECURITIES

ected as your agent in this transaction.

Muni Bonds

is can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices reflect market interest rates and the issuer's credit status.

*Added -
invest list
SCHD*

Smith Barney, is a service mark of Smith Barney Inc.

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Please refer to the reverse for further details. Keep this document for your records. Thank you for doing business with us.

Page 1 of 1

ACSTAR INSURANCE CO
ATTN: HENRY NOZKO JR.
PO BOX 2350
NEW BRITAIN CT 06050-2350

#1743

Summary For Settlement Date 07/28/98
Total Purchases \$ 1,119,030.00
Net Amount \$ 1,119,030.00 Debit

I Bought 1,100,000 at a price of 100.43

RKLAND PA SCH DIST
IC INSD UNLTD TAX REG
D 4/1/98 F/C 9/1/98
M 3.850
1000% MS-01 DUE 09/01/2001
E CORP/MUNI BONDS NOTE BELOW

New file
New investment
Please set up
new investment
file

de Date: 07/15/98 **Market: Over-The-Counter** **CUSIP#: 701383-GK-1**
Security#: 3526376

Solicited Order
Cash Acct.
Ref #: 38056

TRANSFER & MAIL

acted as your agent in this transaction.

Muni Bonds

Bonds
Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices fluctuate reflecting market interest rates and the issuer's credit status.

~~Added invent list~~

mon Smith Barney, is a service mark of Smith Barney Inc.

b Barney Inc. and Salomon Brothers Inc are affiliated but separately registered broker/dealers under common control of Salomon Smith Barney Holdings Inc. Salomon Brothers Inc and Salomon Smith Barney Holdings Inc. have been licensed to use the Salomon Smith Barney service mark. reminder, payment for securities purchased or delivery of securities sold must be deposited with us by the Settlement Date. For further details, keep this document for your records. Thank you for doing business with us.

Page 1 of 1

ACSTAR INSURANCE CO #1.498

ATTN: HENRY NOZKO JR.

PO BOX 2350

NEW BRITAIN CT 06050-2350

Summary For Settlement Date 07/30/98

Total Purchases \$ 275,915.06

Net Amount \$ 275,915.06 Debit

Bought 275,000 at a price of 100.164

ATE PUB SCH BLD AU PA CLGE

NORTHAMPTON CO AREA-M AMBAC

G OID DD 7/15/98 F/C 10/1/98

IGINAL ISSUE DISCOUNT

YLD 4.100%/99.826 PRICE

4.000

500% AO-01 DUE 04/01/2002

CORP/MUNI BONDS NOTE BELOW

PROSPECTUS UNDER SEPARATE COVER

Gross Amount	\$ 275,451.00
Accrued Bond Int.	464.06
<u>Amount</u>	<u>\$ 275,915.06</u>
Settlement Date	07/30/98

Date: 07/21/98
Key: Underwriting

CUSIP#: 857320-ST-3
Security#: 3526180

Solicited Order
Cash Acct.
Ref #: 106302

TRANSFER & MAIL

acted as your agent in this transaction.

Corp/Muni Bonds

Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices fluctuate reflecting market interest rates and the issuer's credit status.

for set up
New Investment file
at J

Added
investment list
SCHD

Your Broker/Dealer is

SMITH BARNEY INC
LONG WHARF MARITIME
545 LONG WHARF DR
NEW HAVEN, CT 06511

Account Number: 577-07179-1-5-028
 Financial Consultant: VINCENT CRUDO, PATRICK DUFF
 203-772-3970

A Member of Travelers Group

Page 1 of 1

ACSTAR INSURANCE CO #1,858
 ATTN: HENRY NOZKO JR.
 PO BOX 2350
 NEW BRITAIN CT 06050-2350

Summary For Settlement Date	00/00/00
Net Amount	\$.00 Credit

You bought 500,000 at a price of 100

PROSPECTUS UNDER SEPARATE COVER

ISSAHICKON S/D MONTGOMERY PA,
 EN OBLIG REG
 ID 7/15/98 F/C 11/15/98
 .0500% MN-15 DUE 05/15/2001
 HEN, AS & IF ISSUED
 SEE CORP/MUNI BONDS NOTE BELOW

Date: 06/23/98 CUSIP#: 977354-MY-2
 Market: Underwriting Security#: 3508722

Solicited Order
 Cash Acct.
 Ref #: 78832

HOLD SECURITIES

I acted as principal in this transaction.

Corp/Muni Bonds
 Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices fluctuate reflecting market interest rates and the issuer's credit status.

Closed 7/15 - paid per 6/30
500,450 - all principal
See - 100.09
100.09

7/1/98
New Taxable Investment
7/4
Added to invest list
SCHD

MITH BARNEY INC
ONG WHARF MARITIME
45 LONG WHARF DR
NEW HAVEN, CT 06511

Account Number: 577-07179-1-5-028
Financial Consultant: VINCENT CRUDO, PATRICK DUFF
203-772-3970

Page 1 of 1

ACSTAR INSURANCE CO #1,438
ATTN: HENRY NOZKO JR.
PO BOX 2350
NEW BRITAIN CT 06050-2350

Summary For Settlement Date	07/14/98
Total Purchases	\$ 561,793.33
Net Amount	\$ 561,793.33 Debit

Bought 500.000 at a price of 109.612

TWORTH TEX GENL IMP
TAX-F/REG-DTD 4/1/84
4/1/85-ESCROWED TO MTY
3.750
100% AO-01 DUE 04/01/2000
CORP/MUNI BONDS NOTE BELOW

New Relocation
2/1/98
2/1/98
Investment
Gross Amount \$ 548,060.00
Accrued Bond Int. 13,733.33
Amount \$ 561,793.33
Settlement Date 07/14/98

Date: 07/09/98 CUSIP#: 349424-P8-8
Set: Over-The-Counter Security#: 3241008

Solicited Order
Cash Acct.
Ref #: 38580

TRANSFER & MAIL

acted as your agent in this transaction.

p/Muni Bonds
ds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices
uate reflecting market interest rates and the issuer's credit status.

*Add to list
invest
SCHD*

Your Broker/Dealer is
SMITH BARNEY INC.
 LONG WHARF MARITIME
 545 LONG WHARF DR
 NEW HAVEN, CT 06511

Accot Number: 577-07179-1-5-028
 Financial Consultant: VINCENT CRUDO, PATRICK JEFF
 203-772-3970

Page 1 of 1

ACSTAR INSURANCE CO #97

ATTN: HENRY NOZKO JR.
 PO BOX 2350
 NEW BRITAIN CT 06050-2350

Summary For Settlement Date 07/29/98	
Total Purchases	\$ 290,957.00
Net Amount	\$ 290,957.00 Debit

Bought 290,000 at a price of 100.33

SOURI ASSOC RUR ED LSE COPS
 -NTH ST FRANCOIS R-I SCH
 A-B/Q-RG-DD7/29/98/F/C4/1/99
 1 4.001
 000% AO-01 DUE 04/01/2002
 CORP/MUNI BONDS NOTE BELOW

PROSPECTUS UNDER SEPARATE COVER

Gross Amount	\$ 290,957.00
Amount	\$ 290,957.00
Settlement Date	07/29/98

Date: 07/20/98 CUSIP#: 605890-S7-8
 ket: Underwriting Security#: 3532876

Solicited Order
 Cash Acct.
 Ref #: 3874

TRANSFER & MAIL

acted as your agent in this transaction.

Muni Bonds

Bonds can be called prior to maturity which may reduce yield. Ordinary call information is above. Other call features may exist. Bond prices reflect market interest rates and the issuer's credit status.

Natalie
 New Investment
 New set up file
 JNK
 Add to insert list
 SCFFD

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Please reverse for further details. Keep this document for your records. Thank you for doing business with us.

Now come the parties in the above matter, SEC, ACSTAR and the Trustees Trustee and agree as follows:

1) ACSTAR will pay the sum of \$4.1 million to the SEC in full settlement of its obligations under the Bond and will agree to the entry of a consent judgment in the District Court case consistent with the payment terms set out below:

a) \$600,000 to be paid within 30 days of the entry of the consent judgment by the District Court (assuming that Bankruptcy Court and Commission approval have been previously obtained)

b) \$750,000 90 days thereafter;
c) \$750,000 90 days thereafter;
d) with the balance of \$2,000,000 paid 90 days thereafter.

b) ACSTAR shall have an allowed claim in the defrauded investors money class as set forth in the proposed distribution previously submitted by the Trustee in the amount of \$300,000; and shall have an allowed general

Unsecured claim in the Debtor's estates
in the amount of \$300,000

6/2/99

Acct #
by: Pray
and Mark P. Flanagan
Atlanta
Georgia, USA
Trustee

S/2 (S)

EXHIBIT

"F"

Upon final approval
of the Order - IHT -
SEC despite; Chester
& related companies will
execute a general release
in favor of Belmont.

I bar none for any
alleged wrongdoing.

(denied of course) relating
to his seeking approval

& attempting to settle
the SEC litigation

Mark O'Fallon
attor